

AMENDMENTS TO ASSEMBLY BILL NO. 235
AS AMENDED IN ASSEMBLY APRIL 30, 2019

Amendment 1

In the heading, in line 1, strike out "Member Mayes" and insert:

Members Mayes, Bonta, and Irwin

Amendment 2

In the heading, below line 1, insert:

(Principal coauthor: Senator Bradford)
(Coauthors: Assembly Members Gipson, Gray, and Quirk)

Amendment 3

In the title, strike out lines 1 to 3, inclusive, and insert:

An act to amend Sections 63010, 63025.1, 63041.5, 63042, 63049.64, and 63071 of the Government Code, and to add Article 15 (commencing with Section 925) to Chapter 4 of Part 1 of Division 1 of the Public Utilities Code, relating to electricity.

Amendment 4

On page 3, before line 1, insert:

SECTION 1. The Legislature finds and declares all of the following:

(a) The 2017 and 2018 wildfires were among the worst disasters in California's history, and the effects of these blazes continue to impact victims months, and, in some cases, years after the final flames were extinguished. It is the intent of the Legislature to provide a mechanism that would provide fair and timely compensation to these victims, while holding those responsible for the blazes accountable for their actions.

(b) Compensating the victims of the 2017 and 2018 wildfires is a responsibility that cannot be placed on the backs of California's electricity customers. It is the intent of the Legislature, in enacting this act, that ratepayers are shielded from any and all economic burdens associated with the 2017 and 2018 wildfires. Therefore, the Legislature also declares that the Public Utilities Commission should not approve an increased cost of capital recovery from ratepayers above historic levels in conjunction with the approval of wildfire recovery bonds.

(c) It is also the intent of the Legislature that the Public Utilities Commission will utilize the proper oversight tools to guarantee that shareholders alone bear the economic burden of settling claims resulting from an electrical corporation's imprudent behavior through a reduction in its corporate profits and that there are no net impacts to customer bills. Ratepayers should not bear the economic burden of imprudent actions by an electrical corporation, nor should they bear the economic burden to pay victims



of the 2017 or 2018 wildfires where the funding mechanism authorized by this act is used.

(d) It is the intent of the Legislature to enact wildfire recovery bonds as a mechanism that would ensure corporate profits, and not ratepayer dollars, bear the economic burden of compensating victims. Further, the wildfire recovery bonds are the mechanism ensuring that victims of the 2017 and 2018 wildfires receive timely compensation following agreed upon settlements of their claims.

(e) Fair and timely settlement of wildfire victims' claims will also ensure these electrical corporations continue to honor existing labor agreements and clean energy commitments and continue progress toward California's bold clean energy goals.

(f) On the heels of the recent passage of Assembly Bill 1054 (Chapter 79 of the Statutes of 2019), which put the state on a path to a safer and more resilient energy future, it is the Legislature's intent to send a clear message that ratepayers will not now be forced to bear the economic burden of any utilities' past bad conduct and therefore that the Legislature intends to supersede provisions of the Public Utilities Code that consider the financial status of the electrical corporation to determine the maximum amount the corporation can pay without harming ratepayers, which is no longer needed with shareholders alone bearing the economic burden of settling claims.

(g) It is, therefore, in the public interest to provide a mechanism, subject to oversight by the Public Utilities Commission, that will promote timely compensation for 2017 and 2018 wildfire victims, while ensuring that electrical corporation shareholders, and not ratepayers, bear the economic burden of funding this compensation. This aim is consistent with the priorities outlined by the Legislature in Assembly Bill 1054 and will allow California to continue making progress toward addressing the threat of wildfires in the years to come.

SEC. 2. Section 63010 of the Government Code is amended to read:

63010. For purposes of this division, the following words and terms shall have the following meanings unless the context clearly indicates or requires another or different meaning or intent:

(a) "Act" means the Bergeson-Peace Infrastructure and Economic Development Bank Act.

(b) "Bank" means the California Infrastructure and Economic Development Bank.

(c) "Board" or "bank board" means the Board of Directors of the California Infrastructure and Economic Development Bank.

(d) "Bond purchase agreement" means a contractual agreement executed between the bank and a sponsor, or a special purpose trust authorized by the bank or a sponsor, or both, whereby the bank or special purpose trust authorized by the bank agrees to purchase bonds of the sponsor for retention or sale.

(e) "Bonds" means bonds, including structured, senior, and subordinated bonds or other securities; loans; notes, including bond, revenue, tax, or grant anticipation notes; commercial paper; floating rate and variable maturity securities; and any other evidences of indebtedness or ownership, including certificates of participation or beneficial interest, asset backed certificates, or lease-purchase or installment purchase agreements, whether taxable or excludable from gross income for federal income taxation purposes.

(f) "Wildfire Fund" means the Wildfire Fund created pursuant to Section 3284 of the Public Utilities Code.

(f)

(g) "Cost," as applied to a project or portion thereof financed under this division, means all or any part of the cost of construction, renovation, and acquisition of all lands, structures, real or personal property, rights, rights-of-way, franchises, licenses, easements, and interests acquired or used for a project; the cost of demolishing or removing any buildings or structures on land so acquired, including the cost of acquiring any lands to which the buildings or structures may be moved; the cost of all machinery, equipment, and financing charges; interest prior to, during, and for a period after completion of construction, renovation, or acquisition, as determined by the bank; provisions for working capital; reserves for principal and interest and for extensions, enlargements, additions, replacements, renovations, and improvements; and the cost of architectural, engineering, financial and legal services, plans, specifications, estimates, administrative expenses, and other expenses necessary or incidental to determining the feasibility of any project or incidental to the construction, acquisition, or financing of any project, and transition costs or wildfire recovery costs in the case of an electrical corporation.

(g)

(h) "Economic development facilities" means real and personal property, structures, buildings, equipment, and supporting components thereof that are used to provide industrial, recreational, research, commercial, utility, goods movement, or service enterprise facilities, community, educational, cultural, or social welfare facilities and any parts or combinations thereof, and all facilities or infrastructure necessary or desirable in connection therewith, including provision for working capital, but shall not include any housing.

(h)

(i) "Electrical corporation" has the meaning set forth in Section 218 of the Public Utilities Code.

(i)

(j) "Executive director" means the Executive Director of the California Infrastructure and Economic Development Bank appointed pursuant to Section 63021.

(j)

(k) "Financial assistance" in connection with a project, includes, but is not limited to, any combination of grants, loans, the proceeds of bonds issued by the bank or special purpose trust, insurance, guarantees or other credit enhancements or liquidity facilities, and contributions of money, property, labor, or other things of value, as may be approved by resolution of the board or the sponsor, or both; the purchase or retention of bank bonds, the bonds of a sponsor for their retention or for sale by the bank, or the issuance of bank bonds or the bonds of a special purpose trust used to fund the cost of a project for which a sponsor is directly or indirectly liable, including, but not limited to, bonds, the security for which is provided in whole or in part pursuant to the powers granted by Section 63025.1; bonds for which the bank has provided a guarantee or enhancement, including, but not limited to, the purchase of the subordinated bonds of the sponsor, the subordinated bonds of a special purpose trust, or the retention of the subordinated bonds of the bank pursuant to Chapter 4 (commencing with Section 63060); or any other type of assistance deemed appropriate by the bank or the sponsor,

except that no direct loans shall be made to nonpublic entities other than in connection with the issuance of rate reduction bonds pursuant to a financing order or in connection with a financing for an economic development facility.

For purposes of this subdivision, "grant" does not include grants made by the bank except when acting as an agent or intermediary for the distribution or packaging of financing available from federal, private, or other public sources.

~~(k)~~

(l) "Financing order" has the meaning set forth in Section 840 or 927 of the Public Utilities Code.

~~(j)~~

(m) "Guarantee trust fund" means the California Infrastructure Guarantee Trust Fund.

~~(m)~~

(n) "Infrastructure bank fund" means the California Infrastructure and Economic Development Bank Fund.

~~(n)~~

(o) "Loan agreement" means a contractual agreement executed between the bank or a special purpose trust and a sponsor that provides that the bank or special purpose trust will loan funds to the sponsor and that the sponsor will repay the principal and pay the interest and redemption premium, if any, on the loan.

~~(o)~~

(p) "Participating party" means any person, company, corporation, association, state, or municipal governmental entity, partnership, firm, or other entity or group of entities, whether organized for profit or not for profit, engaged in business or operations within the state and that applies for financing from the bank in conjunction with a sponsor for the purpose of implementing a project. However, in the case of a project relating to the financing of transition costs or the acquisition of transition property, or both, or, in the case of a project relating to the financing of wildfire recovery costs or the acquisition or ownership of wildfire recovery property, or both, on the request of an electrical corporation, or in connection with financing for an economic development facility, or for the financing of insurance claims, the participating party shall be deemed to be the same entity as the sponsor for the financing.

~~(p)~~

(q) "Project" means designing, acquiring, planning, permitting, entitling, constructing, improving, extending, restoring, financing, and generally developing public development facilities or economic development facilities within the state or financing transition costs or the acquisition of transition property, or both, upon approval of a financing order by the Public Utilities Commission, as provided in Article 5.5 (commencing with Section 840) of Chapter 4 of Part 1 of Division 1 of the Public Utilities Code, or financing wildfire recovery costs or the acquisition or ownership of wildfire recovery property, or both, upon approval of a financing order by the Public Utilities Commission pursuant to Article 15 (commencing with Section 925) of Chapter 4 of Part 1 of Division 1 of the Public Utilities Code.

~~(q)~~

(r) "Public development facilities" means real and personal property, structures, conveyances, equipment, thoroughfares, buildings, and supporting components thereof, excluding any housing, that are directly related to providing the following:

(1) "City streets" including any street, avenue, boulevard, road, parkway, drive, or other way that is any of the following:

(A) An existing municipal roadway.

(B) Is shown upon a plat approved pursuant to law and includes the land between the street lines, whether improved or unimproved, and may comprise pavement, bridges, shoulders, gutters, curbs, guardrails, sidewalks, parking areas, benches, fountains, plantings, lighting systems, and other areas within the street lines, as well as equipment and facilities used in the cleaning, grading, clearance, maintenance, and upkeep thereof.

(2) "County highways" including any county highway as defined in Section 25 of the Streets and Highways Code, that includes the land between the highway lines, whether improved or unimproved, and may comprise pavement, bridges, shoulders, gutters, curbs, guardrails, sidewalks, parking areas, benches, fountains, plantings, lighting systems, and other areas within the street lines, as well as equipment and facilities used in the cleaning, grading, clearance, maintenance, and upkeep thereof.

(3) "Drainage, water supply, and flood control" including, but not limited to, ditches, canals, levees, pumps, dams, conduits, pipes, storm sewers, and dikes necessary to keep or direct water away from people, equipment, buildings, and other protected areas as may be established by lawful authority, as well as the acquisition, improvement, maintenance, and management of floodplain areas and all equipment used in the maintenance and operation of the foregoing.

(4) "Educational facilities" including libraries, child care facilities, including, but not limited to, day care facilities, and employment training facilities.

(5) "Environmental mitigation measures" including required construction or modification of public infrastructure and purchase and installation of pollution control and noise abatement equipment.

(6) "Parks and recreational facilities" including local parks, recreational property and equipment, parkways, and property.

(7) "Port facilities" including airports, inland ports, landports, waterports, railports, docks, harbors, ports of entry, piers, ships, small boat harbors and marinas, and any other facilities, additions, or improvements in connection therewith, that transport goods or persons.

(8) "Power and communications" including facilities for the transmission or distribution of electrical energy, natural gas, and telephone and telecommunications service.

(9) "Public transit" including air and rail transport, airports, guideways, vehicles, rights-of-way, passenger stations, maintenance and storage yards, and related structures, including public parking facilities, and equipment used to provide or enhance transportation by bus, rail, ferry, or other conveyance, either publicly or privately owned, that provides to the public general or special service on a regular and continuing basis.

(10) "Sewage collection and treatment" including pipes, pumps, and conduits that collect wastewater from residential, manufacturing, and commercial establishments, the equipment, structures, and facilities used in treating wastewater to reduce or eliminate impurities or contaminants, and the facilities used in disposing of, or transporting, remaining sludge, as well as all equipment used in the maintenance and operation of the foregoing.

(11) "Solid waste collection and disposal" including vehicles, vehicle-compatible waste receptacles, transfer stations, recycling centers, sanitary landfills, and waste conversion facilities necessary to remove solid waste, except that which is hazardous as defined by law, from its point of origin.

(12) "Water treatment and distribution" including facilities in which water is purified and otherwise treated to meet residential, manufacturing, or commercial purposes and the conduits, pipes, and pumps that transport it to places of use.

(13) "Defense conversion" including, but not limited to, facilities necessary for successfully converting military bases consistent with an adopted base reuse plan.

(14) "Public safety facilities" including, but not limited to, police stations, fire stations, court buildings, jails, juvenile halls, and juvenile detention facilities.

(15) "State highways" including any state highway as described in Chapter 2 (commencing with Section 230) of Division 1 of the Streets and Highways Code, and the related components necessary for safe operation of the highway.

(16) (A) "Military infrastructure," including, but not limited to, facilities on or near a military installation, that enhance the military operations and mission of one or more military installations in this state. To be eligible for funding, the project shall be endorsed by the Office of Planning and Research.

(B) For purposes of this subdivision, "military installation" means any facility under the jurisdiction of the Department of Defense, as defined in paragraph (1) of subsection ~~(e)~~ (g) of Section 2687 of Title 10 of the United States Code.

(17) "Goods movement-related infrastructure" including port facilities, roads, rail, and other facilities and projects that move goods, energy, and information.

(18) "Housing-related infrastructure" including city streets; drainage, water supply, and flood control; environmental mitigation measures; power and communications; public transit improvement that directly supports transit-oriented housing; sewage collection and treatment; and water treatment and distribution.

~~(r)~~

~~(s)~~ "Rate reduction bonds" has the meaning set forth in Section 840 of the Public Utilities Code.

~~(s)~~

~~(t)~~ "Revenues" means all receipts, purchase payments, loan repayments, lease payments, and all other income or receipts derived by the bank or a sponsor from the sale, lease, or other financing arrangement undertaken by the bank, a sponsor, or a participating party, including, but not limited to, all receipts from a bond purchase agreement, and any income or revenue derived from the investment of any money in any fund or account of the bank or a sponsor and any receipts derived from transition property or wildfire recovery property. Revenues shall not include moneys in the General Fund of the state.

~~(t)~~

~~(u)~~ (1) "Special purpose trust" means a trust, partnership, limited partnership, association, corporation, nonprofit corporation, or other entity authorized under the laws of the state to serve as an instrumentality of the state to accomplish public purposes and authorized by the bank to acquire, by purchase or otherwise, for retention or sale, the bonds of a sponsor or of the bank made or entered into pursuant to this division and to issue special purpose trust bonds or other obligations secured by these bonds or other sources of public or private revenues. Special purpose trust also means any

entity authorized by the bank to acquire transition property or to issue rate reduction bonds, or both, or to acquire or own wildfire recovery property or issue wildfire recovery bonds, or both, subject to the approvals by the bank and powers of the bank as are provided by the bank in its resolution authorizing the entity to issue rate reduction bonds or wildfire recovery bonds.

(2) "Special purpose trust" also means any entity authorized by the bank to purchase or receive wildfire recovery property, sell or otherwise transfer wildfire recovery property to another special purpose trust formed to issue wildfire recovery bonds, and use the proceeds of that sale to pay claims for third-party damages against a participating electrical corporation.

(u)

(v) "Sponsor" means any subdivision of the state or local government including departments, agencies, commissions, cities, counties, nonprofit corporations formed on behalf of a sponsor, special districts, assessment districts, and joint powers authorities within the state or any combination of these subdivisions that makes an application to the bank for financial assistance in connection with a project in a manner prescribed by the bank. This definition shall not be construed to require that an applicant have an ownership interest in the project. In addition, an electrical corporation shall be deemed to be the sponsor as well as the participating party for any project relating to the financing of transition costs and the acquisition of transition property on the request of the electrical corporation, or for any project relating to the financing of wildfire recovery costs and the acquisition of wildfire recovery property on the request of the electrical corporation and any person, company, corporation, partnership, firm, or other entity or group engaged in business or operation within the state that applies for financing of any economic development facility, shall be deemed to be the sponsor as well as the participating party for the project relating to the financing of that economic development facility.

(v)

(w) "State" means the State of California.

(w)

(x) "Transition costs" has the meaning set forth in Section 840 of the Public Utilities Code.

(x)

(y) "Transition property" has the meaning set forth in Section 840 of the Public Utilities Code.

(z) "Wildfire recovery bonds" has the same meaning as defined in Section 927 of the Public Utilities Code.

(aa) "Wildfire recovery charges" has the same meaning as defined in Section 927 of the Public Utilities Code.

(ab) "Wildfire recovery property" has the same meaning as defined in Section 927 of the Public Utilities Code.

(ac) "Wildfire victim compensation fund" has the same meaning as defined in Section 927 of the Public Utilities Code.

SEC. 3. Section 63025.1 of the Government Code is amended to read:

63025.1. The bank board may do or delegate the following to the executive director:

(a) Sue and be sued in its own name.

(b) As provided in Chapter 5 (commencing with Section 63070), issue bonds and authorize special purpose trusts to issue bonds, including, at the option of the board, bonds bearing interest that is taxable for the purpose of federal income taxation, or borrow money to pay all or any part of the cost of any project, or to otherwise carry out the purposes of this division.

(c) Engage the services of private consultants to render professional and technical assistance and advice in carrying out the purposes of this division.

(d) Employ attorneys, financial consultants, and other advisers as may, in the bank's judgment, be necessary in connection with the issuance and sale, or authorization of special purpose trusts for the issuance and sale, of any bonds, notwithstanding ~~Sections 11042 and 11043.~~ Section 11042.

(e) Contract for engineering, architectural, accounting, or other services of appropriate state agencies as may, in its judgment, be necessary for the successful development of a project.

(f) Pay the reasonable costs of consulting engineers, architects, accountants, and construction, land use, recreation, and environmental experts employed by any sponsor or participating party if, in the bank's judgment, those services are necessary for the successful development of a project.

(g) ~~Acquire,~~ Acquire and authorize a special purpose trust to acquire, take title to, and sell by installment sale or otherwise, lands, structures, real or personal property, rights, rights-of-way, franchises, easements, ~~and other interests in lands that are located within the state, or~~ and transition property or wildfire recovery property as the bank may deem necessary or convenient for the financing of the project, upon terms and conditions that it considers to be reasonable.

(h) Receive and accept from any source including, but not limited to, the federal government, the state, or any agency thereof, loans, contributions, or grants, in money, property, labor, or other things of value, for, or in aid of, a project, or any portion thereof.

(i) Make loans to any sponsor or participating party, either directly or by making a loan to a lending institution, in connection with the financing of a project in accordance with an agreement between the bank and the sponsor or a participating party, either as a sole lender or in participation with other lenders. However, no loan shall exceed the total cost of the project as determined by the sponsor or the participating party and approved by the bank.

(j) Make loans to any sponsor or participating party, either directly or by making a loan to a lending institution, in accordance with an agreement between the bank and the sponsor or participating party to refinance indebtedness incurred by the sponsor or participating party in connection with projects undertaken and completed prior to any agreement with the bank or expectation that the bank would provide financing, either as a sole lender or in participation with other lenders.

(k) Mortgage all or any portion of the bank's interest in a project and the property on which any project is located, whether owned or thereafter acquired, including the granting of a security interest in any property, tangible or intangible.

(l) Assign or pledge and authorize a special purpose trust to assign or pledge all or any portion of the bank's interests in transition property or wildfire recovery property and the revenues therefrom, or assets, things of value, mortgages, deeds of trust, bonds, bond purchase agreements, loan agreements, indentures of mortgage or trust, or similar

instruments, notes, and security interests in property, tangible or intangible and the revenues therefrom, of a sponsor or a participating party to which the bank has made loans, and the revenues therefrom, including payment or income from any interest owned or held by the bank, for the benefit of the holders of bonds.

(m) Make, receive, or serve as a conduit for the making of, or otherwise provide for, grants, contributions, guarantees, insurance, credit enhancements or liquidity facilities, or other financial enhancements to a sponsor or a participating party as financial assistance for a project.

(n) Lease the project being financed to a sponsor or a participating party, upon terms and conditions that the bank deems proper but shall not be leased at a loss; charge and collect rents therefor; terminate any lease upon the failure of the lessee to comply with any of the obligations thereof; include in any lease, if desired, provisions that the lessee shall have options to renew the lease for a period or periods, and at rents determined by the bank; purchase any or all of the project; or, upon payment of all the indebtedness incurred by the bank for the financing of the project, the bank may convey any or all of the project to the lessee or lessees.

(o) Charge and equitably apportion among sponsors and participating parties the bank's administrative costs and expenses incurred in the exercise of the powers and duties conferred by this division.

(p) Issue, obtain, or aid in obtaining, from any department or agency of the United States, from other agencies of the state, or from any private company, any insurance or guarantee to, or for, the payment or repayment of interest or principal, or both, or any part thereof, on any loan, lease, or obligation or any instrument evidencing or securing the same, made or entered into pursuant to this division.

(q) Notwithstanding any other provision of this division, enter into any agreement, contract, or any other instrument with respect to any insurance or guarantee; accept payment in the manner and form as provided therein in the event of default by a sponsor or a participating party; and issue or assign any insurance or guarantee as security for the bank's bonds.

(r) Enter and authorize a special purpose trust to enter into any agreement or contract, execute any instrument, and perform any act or thing necessary or convenient to, directly or indirectly, secure the bank's bonds, the bonds issued by a special purpose trust, or a sponsor's obligations to the bank or to a special purpose trust, including, but not limited to, bonds of a sponsor purchased by the bank or a special purpose trust for retention or sale, with funds or moneys that are legally available and that are due or payable to the sponsor by reason of any grant, allocation, apportionment or appropriation of the state or agencies thereof, to the extent that the Controller shall be the custodian at any time of these funds or moneys, or with funds or moneys that are or will be legally available to the sponsor, the bank, or the state or any agencies thereof by reason of any grant, allocation, apportionment, or appropriation of the federal government or agencies thereof; and in the event of written notice that the sponsor has not paid or is in default on its obligations to the bank or a special purpose trust, direct the Controller to withhold payment of those funds or moneys from the sponsor over which it is or will be custodian and to pay the same to the bank or special purpose trust or their assignee, or direct the state or any agencies thereof to which any grant, allocation, apportionment or appropriation of the federal government or agencies thereof is or will be legally available to pay the same upon receipt by the bank or special purpose trust or their assignee,

until the default has been cured and the amounts then due and unpaid have been paid to the bank or special purpose trust or their assignee, or until arrangements satisfactory to the bank or special purpose trust have been made to cure the default.

(s) Enter and authorize a special purpose trust to enter into any agreement or contract, execute any instrument, and perform any act or thing necessary, convenient, or appropriate to carry out any power expressly given to the bank by this division, including, but not limited to, agreements for the sale of all or any part, including principal, interest, redemption rights or any other rights or obligations, of bonds of the bank or of a special purpose trust, liquidity agreements, contracts commonly known as interest rate swap agreements, forward payment conversion agreements, futures or contracts providing for payments based on levels of, or changes in, interest rates or currency exchange rates, or contracts to exchange cash-flows or a series of payments, or contracts, including options, puts or calls to hedge payments, rate, spread, currency exchange, or similar exposure, or any other financial instrument commonly known as a structured financial product.

(t) ~~Purchase,~~ Purchase and authorize a special purpose trust to purchase, with the proceeds of the bank's bonds, or otherwise cause to be acquired or vested in the bank or its assignee, transition property property, wildfire recovery property, or bonds issued by, or for the benefit of, any sponsor in connection with a project, pursuant to a bond purchase agreement or otherwise. ~~Bonds or transition Bonds, transition property, or wildfire recovery property purchased or otherwise acquired~~ pursuant to this division may be held by the bank, pledged or assigned by the bank, or sold to public or private purchasers at public or negotiated sale, in whole or in part, separately or together with other bonds issued by the ~~bank,~~ bank or a special purpose trust, and notwithstanding any other ~~provision of law,~~ may be bought by the bank at private sale.

(u) Enter and authorize a special purpose trust to enter into purchase and sale agreements with all entities, public and private, including state and local government pension funds, with respect to the sale or purchase of ~~bonds or transition bonds, transition property, or wildfire recovery property.~~

(v) Invest any moneys held in reserve or sinking funds, or any moneys not required for immediate use or disbursement, in obligations that are authorized by law for the investment of trust funds in the custody of the Treasurer.

(w) Authorize a special purpose trust or trusts to purchase or retain, to purchase, retain, or otherwise acquire, with the proceeds of the bonds of a special purpose trust, ~~transition property property, wildfire recovery property,~~ or bonds issued by, or for the benefit of, any sponsor in connection with a project or issued by the bank or a special purpose trust, pursuant to a bond purchase agreement or otherwise. ~~Bonds or transition Bonds, transition property, or wildfire recovery property purchased purchased, or otherwise acquired~~ pursuant to this title, may be held by a special purpose entity, pledged or assigned by a special purpose entity, or sold to public or private purchasers at public or negotiated sale, in whole or in part, with or without structuring, subordination or credit enhancement, separately or together with other bonds issued by a special purpose trust, and notwithstanding any other ~~provision of law,~~ may be bought by the bank or by a special purpose trust at private sale.

(x) ~~Approve the issuance of any bonds, notes, or other evidences of indebtedness by the Rural Economic Development Infrastructure Panel, established pursuant to Section 15373.7.~~

(y)

(x) Approve the issuance of rate reduction bonds by an entity other than the bank or a special purpose trust to acquire transition property upon approval of the transaction in a financing order by the Public Utilities Commission, as provided in Article 5.5 (commencing with Section 840) of Chapter 4 of Part 1 of Division 1 of the Public Utilities Code, or to acquire wildfire recovery property upon approval of the transaction in a financing order by the Public Utilities Commission pursuant to Article 15 (commencing with Section 925) of Chapter 4 of Part 1 of Division 1 of the Public Utilities Code.

(z)

(y) Apply for and accept subventions, grants, loans, advances, and contributions from any source of money, property, labor, or other things of value. The sources may include bond proceeds, dedicated taxes, state appropriations, federal appropriations, federal grant and loan funds, public and private sector retirement system funds, and proceeds of loans from the Pooled Money Investment Account.

(aa)

(z) Do all things necessary and convenient to carry out its purposes and exercise its powers, provided, however, that nothing herein shall be construed to authorize the bank to engage directly in the business of a manufacturing, industrial, real estate development, or nongovernmental service enterprise. Further, the bank shall not be organized to accept deposits of money for time or demand deposits or to constitute a bank or trust company.

SEC. 4. Section 63041.5 of the Government Code is amended to read:

63041.5. (a) It is the intent of the Legislature to provide a one-time appropriation for financial assistance to local government to meet capital outlay and infrastructure needs.

(b) From the funds appropriated in Item 2920-111-0001 of the Budget Act of 1999, the sum of four hundred twenty-five million dollars (\$425,000,000) shall be available for financial assistance, including, but not limited to, leveraged revolving fund loans, to local government sponsors for public development facilities, as specified in subdivision (e) (r) of Section 63010 of the Government Code.

(c) From the funds appropriated in Item 2920-111-0001 of the Budget Act of 1999 and in Item 2920-111-0001 of the Budget Act of 1998 (Chapter 324 of the Statutes of 1998), the California Infrastructure and Economic Development Bank shall make no single loan in excess of 10 percent of the combined amount of these appropriations to the bank unless approved by unanimous consent of the membership of the Board of Directors of the California Infrastructure and Economic Development Bank and the Director of Finance provides a 30-day written notice to the Chairperson and Vice-Chairperson of the Joint Legislative Budget Committee.

SEC. 5. Section 63042 of the Government Code is amended to read:

63042. (a) Notwithstanding any other provision of this division, a project for the financing of transition costs and the acquisition of transition property upon the request of an electrical corporation shall be deemed to be in the public interest and eligible for financing by the bank, and Article 3 (commencing with Section 63040) and Article 5 (commencing with Section 63043) shall not apply to the project or financing. The bank shall consider a project for financing transition costs and the acquisition of transition property upon filing of an application by an appropriate

participating party, on the terms and conditions the bank shall determine. The bank shall establish procedures for the expeditious review of applications from electrical corporations for the issuance or approval of rate reduction bonds. The review may be concurrent with the Public Utilities Commission's processing of an application for the pertinent financing order, so as to allow for the issuance of rate reduction bonds as quickly as feasible after the issuance of the pertinent financing order by the Public Utilities Commission. Notwithstanding any other provision of this division, the bank shall have no authority to alter or modify any term or condition related to the transition costs or the transition property as set forth in the pertinent financing order, and shall have no authority over any matter that is subject to the approval of the Public Utilities Commission under Article 5.5 (commencing with Section 840) of Chapter 4 of Part 1 of Division 1 of the Public Utilities Code.

(b) Notwithstanding any other provision of this division, a project for the financing of wildfire recovery costs, and the acquisition, whether through purchase or direct vesting, of wildfire recovery property upon the request of an electrical corporation shall be deemed to be in the public interest and eligible for financing by the bank, and Article 3 (commencing with Section 63040) and Article 5 (commencing with Section 63043) shall not apply to the project or financing. The bank shall consider a project for financing wildfire recovery costs and the acquisition or ownership of wildfire recovery property upon filing of an application by the electrical corporation requesting the financing order pursuant to Article 15 (commencing with Section 925) of Chapter 4 of Part 1 of Division 1 of the Public Utilities Code, on the terms and conditions the bank shall determine. The bank shall apply the same procedures for the expeditious review of an application by an electrical corporation for the issuance or approval of wildfire recovery bonds that the bank applies to applications for the issuance of rate reduction bonds under subdivision (a). The review may be concurrent with the Public Utilities Commission's processing of an application for the pertinent financing order, so as to allow for the issuance of wildfire recovery bonds as quickly as feasible after the issuance of the pertinent financing order by the Public Utilities Commission. The bank and its officers may participate in a proceeding for the pertinent financing order as deemed necessary or appropriate by the bank, or as requested by the Public Utilities Commission. The proceeds of the wildfire recovery bonds shall be applied as provided in the financing order and, if so provided, may be deposited or transferred by the bank or its special purpose trust into a wildfire victim compensation fund, which may be, but is not required to be, in consideration for the transfer of the wildfire recovery property from the fund, or the Wildfire Fund for application as provided in the financing order. Notwithstanding any other provision of this division, the bank shall have no authority to alter or modify any term or condition related to the wildfire recovery costs or the wildfire recovery property as set forth in the pertinent financing order, and shall have no authority over any matter that is subject to the approval of the Public Utilities Commission pursuant to Article 15 (commencing with Section 925) of Chapter 4 of Part 1 of Division 1 of the Public Utilities Code.

SEC. 6. Section 63049.64 of the Government Code is amended to read:

63049.64. (a) The bank may issue bonds pursuant to Chapter 5 (commencing with Section 63070) and may loan the proceeds thereof to the association, and deposit the proceeds into a separate account in the fund, or use the proceeds to refund bonds

previously issued under this article. Bond proceeds may also be used to fund necessary reserves, capitalized interest, credit enhancement costs, or costs of issuance.

(b) Bonds issued under this article shall not be deemed to constitute a debt or liability of the state or of any political subdivision thereof, other than the bank, or a pledge of the faith and credit of the state or of any political subdivision, but shall be payable solely from the fund and other revenues and assets securing the bonds. All bonds issued under this article shall contain on the face of the bonds a statement to that effect.

(c) For purposes of this article, the term "project," as defined in subdivision (p) (q) of Section 63010, shall include financing of the costs of claims of insolvent workers' compensation insurers, in an amount (together with associated costs of financing) that may be determined by the association in making a request for financing to the bank.

(d) The bank may also authorize a special purpose trust to purchase or receive wildfire recovery property or to transfer wildfire recovery property to another special purpose trust formed by the bank to issue wildfire recovery bonds, and use proceeds of that sale to pay costs and expenses of the special purpose trust and to pay claims for third-party damages against a participating electrical corporation.

SEC. 7. Section 63071 of the Government Code is amended to read:

63071. (a) Notwithstanding any other provision of law, but consistent with Sections 1 and 18 of Article XVI of the California Constitution, a sponsor may issue bonds for purchase by the bank pursuant to a bond purchase agreement. The bank may issue bonds or authorize a special purpose trust to issue bonds. These bonds may be issued pursuant to the charter of any city or any city and county that authorized the issuance of these bonds as a sponsor and may also be issued by any sponsor pursuant to the Revenue Bond Law of 1941 (Chapter 6 (commencing with Section 54300) of Division 2 of Title 5) to pay the costs and expenses pursuant to this title, subject to the following conditions:

(1) With the prior approval of the bank, the sponsor may sell these bonds in any manner as it may determine, either by private sale or by means of competitive bid.

(2) Notwithstanding Section 54418, the bonds may be sold at a discount at any rate as the bank and sponsor shall determine.

(3) Notwithstanding Section 54402, the bonds shall bear interest at any rate and be payable at any time as the sponsor shall determine with the consent of the bank.

(b) The total amount of bonds issued to finance public development facilities that may be outstanding at any one time under this chapter shall not exceed five billion dollars (\$5,000,000,000). The total amount of rate reduction bonds that may be outstanding at any one time under this chapter shall not exceed ten billion dollars (\$10,000,000,000). The total amount of wildfire recovery bonds that may be outstanding at any one time under this chapter shall not exceed twenty billion dollars (\$20,000,000,000).

(c) Bonds for which moneys or securities have been deposited in trust, in amounts necessary to pay or redeem the principal, interest, and any redemption premium thereon, shall be deemed not to be outstanding for purposes of this section.

SEC. 8. Article 15 (commencing with Section 925) is added to Chapter 4 of Part 1 of Division 1 of the Public Utilities Code, to read:

Article 15. Catastrophic Wildfire Liability Recovery Act

925. The Legislature finds and declares all of the following:

(a) The furnishing of reliable reasonably priced electrical service is essential for the safety, health, and well-being of the people of California. The state relies on safe and reliable energy to power its homes, businesses, and transportation infrastructure and on a healthy utility sector to achieve its clean energy goals. Yet California's investor-owned utilities face unprecedented challenges from climate change and changes in land use patterns over the past 20 years. These challenges, which touch every corner of the state, raise the potential liability faced by investor-owned utilities in inverse condemnation and other claims. In particular, the 2017 and 2018 wildfires were catastrophic in size and effect.

(b) The magnitude of potential liability from the 2017 and 2018 wildfires, and the potential impact of that liability on safe and reliable electrical service, require immediate legislative action. The number of persons affected by the 2017 and 2018 wildfires, and the extent of their losses, highlight the need for timely and equitable resolution of their claims. At the same time, the magnitude of potential damage claims and uncertainties surrounding the timing and extent of cost recovery threaten the financial stability of the state's utilities and their ability to carry out their public service mission.

(c) It is therefore in the public interest to provide a mechanism that will promote timely compensation for 2017 and 2018 wildfire victims and equitably allocate costs for strict liability inverse condemnation and other wildfire-related claims and costs while stabilizing the financial health of the responsible commission-regulated entities so that they are able to continue to provide safe and reliable electrical and gas service to customers at affordable rates.

(d) Issuance of bonds is a well-established mechanism to reduce customer impacts that has been used successfully in California and in other states. The principal benefit of securitization through issuance of bonds is lower-cost financing as compared with other forms of borrowing and access to a larger pool of investors. Tax-exempt bonds may be issued by the state, or any instrumentality or political subdivision thereof, while other types of financing entities may issue taxable bonds.

(e) To minimize the economic impacts on customers, it is in the public interest to allow an investor-owned utility the opportunity to compensate victims of the 2017 and 2018 catastrophic wildfires and also contribute to a state-sponsored wildfire insurance fund that will mitigate the risk of future adverse events using proceeds from bonds, whether tax-exempt or taxable, and then to retire the bonds with wildfire recovery charges. The net income available to shareholders of the electrical corporation would be reduced in the same amount as the wildfire recovery charges to make the bonds rate neutral, thereby minimizing any impact on the electrical corporation's customers. For wildfires with an ignition date in 2017, this funding mechanism is intended to replace existing financing options for costs and expenses pursuant to subdivision (c) of Section 451.2 and Article 5.8 (commencing with Section 850).

926. (a) If an electrical corporation applies to the commission for recovery of wildfire recovery costs as part of a plan of corporate reorganization or otherwise, or if the electrical corporation makes, or is obligated or has committed to make, an initial contribution to the Wildfire Fund pursuant to Section 3292, then the electrical corporation may file an application requesting the commission to issue a financing order to authorize these obligations to be recovered through wildfire recovery charges

pursuant to this article. The net income available to shareholders of the electrical corporation shall be reduced, in a manner determined by the commission, in the same amount as the wildfire recovery charges in accordance with Section 930.

(b) If the commission approves an application by an electrical corporation for a financing order pursuant to this article for wildfire recovery costs related to a catastrophic wildfire with an ignition date in 2017 or 2018, then that electrical corporation shall not submit an application for recovery of those costs from customers pursuant to Section 451 or 451.2 or for a financing order for those costs and expenses pursuant to Article 5.8 (commencing with Section 850) or any other law.

927. For purposes of this article, the following terms have the following meanings:

(a) "Ancillary agreement" means a bond insurance policy, letter of credit, reserve account, surety bond, swap arrangement, hedging arrangement, liquidity or credit support arrangement, or other similar agreement or arrangement entered into in connection with the issuance of wildfire recovery bonds that is designed to promote the credit quality and marketability of the bonds or to mitigate the risk of an increase in interest rates.

(b) "Catastrophic wildfire claims" means the claims for damages made against an electrical corporation, including settled claims, relating to a catastrophic wildfire with an ignition date in 2017 or 2018 if the commission finds those claims to be just and reasonable or if the commission finds the amount of those claims exceeds the electrical corporation's incremental debt capacity consistent with attaining and maintaining an investment grade credit rating.

(c) "Consumer" means any individual, governmental entity, trust, business entity, or nonprofit organization that uses electricity transmitted or distributed by means of electrical transmission or distribution facilities, whether those electrical transmission or distribution facilities are owned by the consumer, an electrical corporation, or any other party.

(d) "Financing costs" means the costs to issue, service, repay, or refinance wildfire recovery bonds, whether incurred or paid upon issuance of the wildfire recovery bonds or over the life of the wildfire recovery bonds, if they are approved for recovery by the commission in a financing order. "Financing costs" may include any of the following:

(1) Principal, interest, and redemption premiums that are payable on wildfire recovery bonds.

(2) A payment required under an ancillary agreement.

(3) An amount required to fund or replenish reserve accounts or other accounts established under an indenture, ancillary agreement, or other financing document relating to the wildfire recovery bonds.

(4) Taxes, franchise fees, or license fees imposed on wildfire recovery charges.

(5) Costs of establishing, maintaining, operating, and administering a financing entity.

(6) Costs of establishing, maintaining and operating a wildfire victim compensation fund including, but not limited to, administrative costs associated with paying catastrophic wildfire claims.

(7) Costs related to issuing and servicing wildfire recovery bonds or the application for a financing order, including, without limitation, servicing fees and

expenses, trustee fees and expenses, legal fees and expenses, accounting fees, administrative fees, underwriting and placement fees, financial advisory fees, original issue discount, capitalized interest, rating agency fees, and any other related costs that are approved for recovery in the financing order.

(8) Other costs as specifically authorized by a financing order.

(e) "Financing entity" means either or both of the following:

(1) An electrical corporation or any subsidiary or affiliate of the electrical corporation.

(2) Any public financing entity approved by the commission to issue wildfire recovery bonds or acquire or own wildfire recovery property.

(f) "Financing order" means an order of the commission adopted pursuant to this article that includes, without limitation, a procedure to require the expeditious approval by the commission of periodic adjustments to wildfire recovery charges and to any associated fixed recovery tax amounts included in that financing order to ensure recovery of all wildfire recovery costs and the costs associated with the proposed recovery, financing, or refinancing thereof, including, without limitation, the costs of servicing and retiring the wildfire recovery bonds contemplated by the financing order.

(g) "Fixed recovery tax amounts" means those nonbypassable rates and other charges, including, but not limited to, distribution, connection, disconnection, and termination rates and charges, that are needed to recover federal and state income and franchise taxes associated with wildfire recovery charges authorized by the commission in a financing order, but are not approved as financing costs financed from proceeds of wildfire recovery bonds.

(h) "Public financing entity" means the Bergeson-Peace Infrastructure and Economic Development Bank established pursuant to the Bergeson-Peace Infrastructure and Economic Development Bank Act (Division 1 (commencing with Section 63000) of Title 6.7 of the Government Code), or a special purpose trust created by the Bergeson-Peace Infrastructure and Economic Development Bank, or any other instrumentality or political subdivision of the state or any special purpose trust created by such instrumentality or political subdivision, that is authorized by law and approved by the commission to issue wildfire recovery bonds or acquire or own wildfire recovery property, or both.

(i) "Service territory" means the geographical area that an electrical corporation provides with electrical distribution service on the date of the electrical corporation's application for a financing order, regardless of whether any portion of that geographical area is annexed or otherwise acquired by a local publicly owned electric utility after the date of the electrical corporation's application for a financing order or the electrical corporation otherwise ceases to provide electric distribution service in that geographic area.

(j) "True-up adjustment" means an adjustment to the wildfire recovery charges as they appear on customer bills that is necessary to correct for any overcollection or undercollection of the wildfire recovery charges authorized by a financing order, on an individual customer or aggregate basis, and to otherwise ensure the timely and complete payment and recovery of wildfire recovery costs over the authorized repayment term.

(k) "Wildfire Fund" or "fund" means the Wildfire Fund established pursuant to Section 3284.

(l) "Wildfire recovery bonds" means bonds, notes, certificates of participation or beneficial interest, or other evidences of indebtedness or ownership, issued pursuant to an executed indenture or other agreement of a financing entity, the proceeds of which are used, directly or indirectly, to recover, finance, or refinance wildfire recovery costs, and that are directly or indirectly secured by, or payable from, wildfire recovery charges and other wildfire recovery property.

(m) "Wildfire recovery charges" means those nonbypassable rates and other charges, including, but not limited to, distribution, connection, disconnection, and termination rates and charges, to be imposed by the financing entity as determined in the financing order regarding wildfire costs, and to be collected by the electrical corporation or other collection agents that are authorized by the commission in a financing order to recover, both of the following:

(1) Wildfire recovery costs specified in the financing order.

(2) The costs of recovering, financing, or refinancing those wildfire recovery costs through a plan approved by the commission in the financing order, including the costs of servicing and retiring wildfire recovery bonds.

(n) "Wildfire recovery costs" means any of the following:

(1) The catastrophic wildfire claims transferred to a wildfire victim compensation trust fund as authorized by the commission in a financing order.

(2) The costs to fund and finance the electrical corporation's initial contribution to the Wildfire Fund as required by Section 3292.

(3) Federal and state income taxes and franchise fees associated with recovery of the amounts pursuant to paragraph (1).

(4) Financing costs.

(5) Professional fees, consultant fees, redemption premiums, tender premiums, and other costs incurred by an electrical corporation in using proceeds of wildfire recovery bonds to acquire or retire outstanding securities of the electrical corporation, as authorized by the commission in a financing order.

(o) (1) "Wildfire recovery property" means the property right created pursuant to this division, including, without limitation, the right, title, and interest of a financing entity, as specified in the financing order, or its transferee, to either or both of the following:

(A) In and to the wildfire recovery charges established pursuant to a financing order, including all rights to obtain adjustments to the wildfire recovery charges in accordance with Section 928 and the financing order.

(B) To impose and receive the amount that is determined in a financing order to be the amount that the financing entity or its transferees are lawfully entitled to receive pursuant to the provisions of this article and the proceeds thereof, and in and to all revenues, collections, claims, payments, moneys, or proceeds of, or arising from, the wildfire recovery charges that are the subject of a financing order.

(2) "Wildfire recovery property" shall not include a right to be paid fixed recovery tax amounts.

(3) "Wildfire recovery property" shall constitute a current property right, notwithstanding the fact that the value of the property right will depend on consumers using electricity or, in those instances where consumers are customers of an electrical corporation, an electrical corporation performing certain services.

(4) Wildfire recovery property may be created in the electrical corporation, the Wildfire Fund, or the wildfire victim compensation fund upon the issuance of the financing order if the financing order so provides.

(p) "Wildfire victim compensation fund" means, with respect to a participating electrical corporation, a segregated fund, account, or trust, including the public financing entity or other entity, established to resolve or satisfy one or more contested or uncontested claims against the electrical corporation that have resulted or may result from catastrophic wildfires with an ignition date in 2017 or 2018, including any related series of events, which fund is established pursuant to an order of, or is approved by, the United States, the state, or any political subdivision thereof, or any agency or instrumentality, including a court of law, of any of these governmental authorities and is subject to the continuing jurisdiction of that governmental authority. A wildfire victim compensation fund includes, but is not limited to, a "qualified settlement fund" within the meaning of Section 1.468B-1 of Title 26 of the Code of Federal Regulations, established to resolve or satisfy wildfire related claims against the electrical corporation, and may include multiple funds, provided each would itself qualify as a wildfire victim compensation fund.

927.5. Earnings of any wildfire victim compensation fund are tax exempt and contributions to any wildfire victim compensation fund are tax deductible for state tax purposes.

928. (a) The commission may issue a financing order, upon application of an electrical corporation, to allow recovery through wildfire recovery charges, which would become wildfire recovery property by operation of this article, and order that any portion of the electrical corporation's federal and state income taxes and franchise fees or taxes associated with those wildfire recovery charges, and not financed from proceeds of wildfire recovery bonds, may be recovered through fixed recovery tax amounts.

(b) (1) Following application by an electrical corporation, the commission shall issue a financing order if the commission determines that both of the following conditions are satisfied:

(A) The wildfire recovery costs to be paid or reimbursed from the wildfire recovery bonds have been found to be just and reasonable, or otherwise appropriate for payment or reimbursement.

(B) The issuance of the wildfire recovery bonds and all material terms and conditions of the wildfire recovery bonds, including, without limitation, interest rates, rating, amortization redemption, and maturity, and the imposition and collection of wildfire recovery charges as set forth in an application, satisfy both of the following conditions:

(i) They are just and reasonable.

(ii) They are consistent with the public interest.

(2) An electrical corporation may request the determinations specified in paragraph (1) by the commission in a separate proceeding or in an existing proceeding, or both. If the commission makes the determination specified in paragraph (1), the commission shall establish, as part of the financing order, a procedure for the electrical corporation on behalf of itself, and if requested by the electrical corporation in an application for a financing order jointly with, or with the consent and approval of, a public financing entity, to submit applications from time to time to request the issuance

of additional financing orders designating wildfire recovery charges and any associated fixed recovery tax amounts as recoverable. An electrical corporation may submit an application for wildfire recovery costs that the electrical corporation (A) has paid, (B) has an existing legal obligation to pay, or (C) would be obligated to pay pursuant to an executed settlement agreement or corporate restructuring, including the initial funding of the Wildfire Fund pursuant to Section 3292 and wildfire victim compensation fund. The commission shall, within 120 days of the filing of that application, issue a financing order, which may take the form of a resolution, if the commission determines that the amounts identified in the application are wildfire recovery costs. If a public financing entity is proposed as the issuer of wildfire recovery bonds or as the transferee or pledgee of wildfire recovery property, the public financing entity may participate in any proceeding relating to the issuance of a financing order in such capacity as the commission deems appropriate.

(c) Wildfire recovery charges and any associated fixed recovery tax amounts shall be imposed only on existing and future consumers in the service territory of the electrical corporation submitting an application. Consumers within that service territory shall continue to pay wildfire recovery charges and any associated fixed recovery tax amounts until the wildfire recovery bonds and associated financing costs are paid in full by the financing entity. Consumers within that service territory shall continue to pay any associated fixed recovery tax amounts until the electrical corporation has recovered amounts needed to recover federal and State of California income and franchise taxes that are associated with wildfire recovery charges authorized by the commission in a financing order, but that are not approved as financing costs financed from proceeds of wildfire recovery bonds.

(d) The electrical corporation submitting an application for a financing order shall serve as collection agent to collect the wildfire recovery charges and transfer those collected amounts to any financing entity or transferee, as approved in the financing order, and the financing entity, including any collection agent, may exercise the same rights and remedies under the electrical corporation's tariff and applicable law and regulation based upon a customer's nonpayment of wildfire recovery charges and any associated fixed recovery tax as it could for a customer's failure to pay any other charge payable to that electrical corporation.

(e) The commission shall establish in a financing order an effective mechanism that ensures recovery of wildfire recovery costs through nonbypassable wildfire recovery charges and any associated fixed recovery tax amounts from existing and future consumers in the service territory, and those consumers shall be required to pay those charges until the wildfire recovery bonds, any fixed recovery tax amounts, and all associated financing costs are paid in full by the financing entity, at which time those charges shall be terminated. Wildfire recovery charges shall be irrevocable, notwithstanding the true-up adjustment pursuant to subdivision (j).

(f) Wildfire recovery bonds authorized by the commission's financing orders may be issued in one or more series on or before December 31, 2050.

(g) The commission may issue financing orders to an electrical corporation or another financing entity in accordance with this article to facilitate the recovery, financing, or refinancing of wildfire recovery costs. A financing order shall be adopted only upon the application of an electrical corporation and shall become effective in accordance with its terms. A financing order may specify how amounts collected from

a consumer shall be allocated between wildfire recovery charges, any associated fixed recovery tax amounts, and other charges.

(h) Notwithstanding Section 455.5 or 1708, or any other law, and except as otherwise provided in subdivision (j), for wildfire recovery property that has been made the basis for the issuance of wildfire recovery bonds and for any associated fixed recovery tax amounts, the financing order, the wildfire recovery charges, and any associated fixed recovery tax amounts shall be irrevocable. Except as provided for in Section 930, the commission shall not, either by rescinding, altering, or amending the financing order or otherwise, revalue or revise for ratemaking purposes the wildfire recovery costs or the costs of recovering, financing, or refinancing the wildfire recovery costs, or in any way reduce or impair the value of wildfire recovery property or of the right to receive any associated fixed recovery tax amounts either directly or indirectly by taking wildfire recovery charges or any associated fixed recovery tax amounts into account when setting other rates for the electrical corporation. The amount of revenues shall not be subject to reduction, impairment, postponement, or termination. The state does hereby pledge and agree with the applicable electrical corporation, owners of wildfire recovery property, each financing entity, and holders of wildfire recovery bonds that the state shall neither limit nor alter, except as otherwise provided with respect to the true-up adjustment of the wildfire recovery charges pursuant to subdivision (j), the wildfire recovery charges, any associated fixed recovery tax amounts, wildfire recovery property, financing orders, or any rights under a financing order until the wildfire recovery bonds, together with the interest on the wildfire recovery bonds and associated financing costs, are fully paid and discharged, and any associated fixed recovery tax amounts have been satisfied or, in the alternative, have been refinanced through an additional issue of wildfire recovery bonds, provided that nothing contained in this section shall preclude the limitation or alteration if and when adequate provision shall be made by law for the protection of the public financing entity, the electrical corporation and of owners and holders of the wildfire recovery bonds. Any public financing entity, as a condition of the issuance of the wildfire recovery bonds, shall pledge and agree with the applicable electrical corporation, owners of wildfire recovery property, other financing entities, and holders of wildfire recovery bonds that it shall neither limit nor alter, except as otherwise provided with respect to the true-up adjustment of the wildfire recovery charges pursuant to subdivision (j), the wildfire recovery charges, any associated fixed recovery tax amounts, wildfire recovery property, financing orders, or any rights under a financing order until the wildfire recovery bonds, together with the interest on the wildfire recovery bonds and associated financing costs, are fully paid and discharged, and any associated fixed recovery tax amounts have been satisfied or, in the alternative, have been refinanced through an additional issue of wildfire recovery bonds, provided that nothing contained in this section shall preclude the limitation or alteration if and when adequate provision shall be made by law for the protection of the electrical corporation and of owners and holders of the wildfire recovery bonds. A financing entity is authorized to include these pledges and undertakings for the state and public financing entity in these wildfire recovery bonds.

(i) (1) Neither financing orders nor wildfire recovery bonds issued pursuant to this article shall constitute a debt or liability of the state or of any political subdivision thereof except for any public financing entity as and to the extent such public financing is obligated on the wildfire recovery bonds, nor shall they constitute a pledge of the

full faith and credit of the state or any of its political subdivisions. All wildfire recovery bonds shall contain on the face thereof a statement to the following effect: "Neither the full faith and credit nor the taxing power of the State of California is pledged to the payment of the principal of, or interest on, this bond."

(2) Except for the imposition of wildfire recovery charges and associated fixed recovery tax amounts pursuant to this article upon the state or any political subdivision thereof in its capacity as a consumer, the issuance of wildfire recovery bonds pursuant to this article shall not directly, indirectly, or contingently obligate the state or any political subdivision thereof to levy or to pledge any form of taxation therefor or to make any appropriation for their repayment.

(3) Wildfire recovery bonds issued pursuant to a financing order shall not be a debt of the electrical corporation, wildfire recovery charges paid and collected pursuant to a financing order shall not be considered the revenue or property of the electrical corporation for any purpose, and upon the creation or transfer of the wildfire recovery property in or to an entity other than the electrical corporation, the electrical corporation shall not have any beneficial interest or claim of right in such wildfire recovery charges or wildfire recovery property.

(j) The commission shall establish procedures for the expeditious processing of an application for a financing order, which shall provide for the approval or disapproval of the application within 120 days of the application. The commission shall, in any financing order, provide for a procedure for periodic true-up adjustments to wildfire recovery charges, which shall be made at least annually and may be made more frequently. The electrical corporation shall file an advice letter with the commission to implement any true-up adjustment.

(k) Wildfire recovery charges are wildfire recovery property when, and to the extent that, a financing order authorizing the wildfire recovery charges has become effective pursuant to this article, and the wildfire recovery property shall thereafter continuously exist as property for all purposes, and all of the rights and privileges relating to that property pursuant to this article shall continuously exist for the period and to the extent provided in the financing order, but in any event until the wildfire recovery bonds are paid in full, including all principal, premiums, if any, and interest with respect to the wildfire recovery bonds, and all associated financing costs are paid in full. Wildfire recovery property created by a financing order shall be a vested contract right, and that financing order shall create a contractual obligation of irrevocability by the commission in favor of the owner of wildfire recovery property, including a financing entity.

(l) This article and any financing order made pursuant to this article does not amend, reduce, modify, or otherwise affect the right of the Department of Water Resources to recover its revenue requirements and to receive the charges that it is to recover and receive pursuant to Division 27 (commencing with Section 80000) or Division 28 (commencing with Section 80500) of the Water Code, or pursuant to any agreement entered into by the commission and the Department of Water Resources pursuant to that division.

929. (a) A financing entity may issue wildfire recovery bonds only following approval by the commission in a financing order. Wildfire recovery bonds shall be nonrecourse to the credit or any assets of the electrical corporation and to the credit and assets of the financing entity, other than the wildfire recovery property and any

other assets pledged to the payment of wildfire recovery bonds, as specified in the financing order and related bond documentation.

(b) The wildfire recovery property created by the financing order may be sold or assigned by the electrical corporation or a financing entity to the wildfire victim compensation fund, and the wildfire recovery property may be sold by the wildfire victim compensation fund to a financing entity, and may be pledged by a financing entity, as collateral, either directly or indirectly, to secure the payment of the wildfire recovery bonds issued as contemplated by the financing order and related financing costs. In addition, wildfire recovery property may be sold or assigned by either of the following:

(1) The financing entity or a trustee for the holders of wildfire recovery bonds or the holders of an ancillary agreement in connection with the exercise of remedies upon a default.

(2) Any person acquiring the wildfire recovery property after a sale or assignment pursuant to this article.

(c) To the extent that any interest in wildfire recovery property is sold or assigned, or is pledged by either an electrical corporation or a financing entity as collateral pursuant to subdivision (b), the commission shall authorize an electrical corporation to contract with the financing entity that it will continue to operate its system to provide service to consumers within its service territory, will collect amounts in respect of the wildfire recovery charges for the benefit and account of the financing entity, and will account for and remit these amounts to or for the account of the financing entity. Contracting with the financing entity in accordance with that authorization shall not impair or negate the characterization of the sale, assignment, or pledge as an absolute transfer, a true sale, or a security interest, as applicable. To the extent that billing, collection, and other related services with respect to the provision of electric service are provided to a consumer by any person or entity other than the electrical corporation in whose service territory the consumer is located, that person or entity shall collect the wildfire recovery charges and any associated fixed recovery tax amounts from the consumer for the benefit and account of the electrical corporation or financing entity with the associated revenues remitted solely for the benefit and repayment of the wildfire recovery bonds and associated financing costs as a condition to the provision of electrical service to that consumer. Each financing order shall impose terms and conditions, consistent with the purposes and objectives of this article, on any person or entity responsible for billing, collection, and other related services, including, without limitation, collection of the wildfire recovery charges and any associated fixed recovery tax amounts, that are the subject of the financing order.

(d) Wildfire recovery property that is specified in a financing order shall constitute an existing, present property right, notwithstanding the fact that the imposition and collection of wildfire recovery charges depend on an electrical corporation or a successor continuing to provide electricity service or continuing to perform its servicing functions relating to the collection of wildfire recovery charges or on the level of future electricity consumption. Wildfire recovery property shall exist whether or not the wildfire recovery charges have been billed, have accrued, or have been collected and notwithstanding the fact that the value for a security interest in the wildfire recovery property, or amount of the wildfire recovery property, is dependent on the future provision of service to consumers. All wildfire recovery property specified in a financing order shall continue

to exist until the wildfire recovery bonds issued pursuant to a financing order and all associated financing costs are paid in full.

(e) Wildfire recovery property, wildfire recovery charges, and the interests of an assignee, bondholder or financing entity, or any pledgee in wildfire recovery property and wildfire recovery charges are not subject to setoff, counterclaim, surcharge, recoupment, or defense by the electrical corporation or the financing entity or any other person or in connection with the bankruptcy, reorganization, or other insolvency proceeding of the electrical corporation, any affiliate of the electrical corporation, the financing entity or any other entity.

(f) Notwithstanding Section 1708 or any other law, any requirement under this article or a financing order that the commission take action with respect to the subject matter of a financing order shall be binding upon the commission, as it may be constituted from time to time, and any successor agency exercising functions similar to the commission, and the commission shall have no authority to rescind, alter, or amend that requirement in a financing order. The approval by the commission in a financing order of the issuance by the electrical corporation or another financing entity of wildfire recovery bonds shall include the approvals, if any, as may be required by Article 5 (commencing with Section 816) and Section 701.5. Nothing in Section 701.5 shall be construed to prohibit the issuance of wildfire recovery bonds upon the terms and conditions as may be approved by the commission in a financing order. Section 851 does not apply to the transfer or pledge of wildfire recovery property, the issuance of wildfire recovery bonds, or related transactions approved in a financing order.

930. (a) Notwithstanding subdivision (h) of Section 928, subsequent to the issuance of a financing order, the net income that is available to shareholders of the electrical corporation that applied for the financing order shall be reduced, in a manner determined by the commission and in an amount equal, in the aggregate and subject to periodic true-up adjustments, to the wildfire recovery charges, but the electrical corporation, any other financing entity, and the commission may not adjust, amend, or modify the catastrophic wildfire claims, wildfire recovery charges, except pursuant to subdivision (j) of Section 928, the fixed recovery tax amounts, the financing order, wildfire recovery costs, the wildfire recovery property, or the wildfire recovery bonds.

(b) The adjustment of the net income in subdivision (a) shall be accomplished solely by a reduction in the electrical corporation's net income that is available for shareholders. The electrical corporation shall provide to the commission and the financing entity an annual report summarizing the charges collected by the electrical corporation, as servicer, and the adjustment to the net income that is available to shareholders of the electrical corporation.

(c) The wildfire recovery costs to be paid from the proceeds of the wildfire recovery bonds are hereby deemed just and reasonable pursuant to Sections 451, 451.1, and subparagraph (A) of paragraph (1) of subdivision (b) of Section 928 to the extent the net income available to shareholders of the electrical corporation is reduced in the aggregate amount equal to the wildfire recovery costs pursuant to subdivision (a). The commission shall not consider wildfire recovery bonds in authorizing or evaluating compliance with an electrical corporation's capital structure.

(d) Nothing in this section shall be construed to permit setoff, counterclaim, surcharge, recoupment, or defense by the electrical corporation or any other person, or in connection with the bankruptcy, reorganization, or other insolvency proceeding

of the electrical corporation, any affiliate of the electrical corporation, or any other entity, against the wildfire recovery property, the wildfire recovery charges, or the interests of an assignee, bondholder, or financing entity, or any pledgee in wildfire recovery property or wildfire recovery charges.

931. (a) A security interest in wildfire recovery property is valid, is enforceable against the pledgor and third parties, is subject to the rights of any third parties holding security interests in the wildfire recovery property perfected in the manner described in this section, and attaches when all of the following have taken place:

(1) The commission has issued a financing order authorizing the wildfire recovery charges included in the wildfire recovery property.

(2) Value has been given by the pledgees of the wildfire recovery property.

(3) The pledgor has signed a security agreement covering the wildfire recovery property.

(b) A valid and enforceable security interest in wildfire recovery property is perfected when it has attached and when a financing statement has been filed in accordance with Chapter 5 (commencing with Section 9501) of Division 9 of the Commercial Code naming the pledgor of the wildfire recovery property as "debtor" and identifying the wildfire recovery property. Any description of the wildfire recovery property shall be sufficient if it refers to the financing order creating the wildfire recovery property. A copy of the financing statement shall be filed with the commission by the electrical corporation or the financing entity that is the pledgor or transferor of the wildfire recovery property, and the commission may require the electrical corporation or financing entity to make other filings with respect to the security interest in accordance with procedures it may establish, provided that the filings shall not affect the perfection of the security interest.

(c) A perfected security interest in wildfire recovery property is a continuously perfected security interest in all wildfire recovery property revenues and proceeds arising with respect thereto, whether or not the revenues or proceeds have accrued. Conflicting security interests shall rank according to priority in time of perfection. Wildfire recovery property shall constitute property for all purposes, including for contracts securing wildfire recovery bonds, whether or not the wildfire recovery property revenues and proceeds have accrued.

(d) Subject to the terms of the security agreement covering the wildfire recovery property and the rights of any third parties holding security interests in the wildfire recovery property perfected in the manner described in this section, the validity and relative priority of a security interest created under this section is not defeated or adversely affected by the commingling of revenues arising with respect to the wildfire recovery property with other funds of an electrical corporation or the financing entity that is the pledgor or transferor of the wildfire recovery property, or by any security interest in a deposit account of that electrical corporation perfected under Division 9 (commencing with Section 9101) of the Commercial Code into which the revenues are deposited. Subject to the terms of the security agreement, upon compliance with the requirements of paragraph (1) of subdivision (b) of Section 9312 of the Commercial Code, the pledgees of the wildfire recovery property shall have a perfected security interest in all cash and deposit accounts of the electrical corporation or the financing entity in which wildfire recovery property revenues have been commingled with other funds, but the perfected security interest shall be limited to an amount not greater than

the amount of the wildfire recovery property revenues received by an electrical corporation or financing entity within 12 months before (1) any default under the security agreement, or (2) the institution of insolvency proceedings by or, to the extent permissible under the United States Bankruptcy Code (Title 11 of the United States Code), against an electrical corporation or financing entity, less payments from the revenues to the pledgees during that 12-month period.

(e) If default occurs under the security agreement covering the wildfire recovery property, the pledgees of the wildfire recovery property, subject to the terms of the security agreement, shall have all rights and remedies of a secured party upon default under Division 9 (commencing with Section 9101) of the Commercial Code, and are entitled to foreclose or otherwise enforce their security interest in the wildfire recovery property, subject to the rights of any third parties holding prior security interests in the wildfire recovery property perfected in the manner provided in this section. In addition, the commission may require in the financing order creating the wildfire recovery property that, in the event of default by the electrical corporation in payment of wildfire recovery property revenues, the commission and any successor thereto, upon the application by the financing entity or any pledgees or transferees, including transferees pursuant to Section 932, of the wildfire recovery property, and without limiting any other remedies available to the pledgees or transferees by reason of the default, shall order the sequestration and payment to the pledgees or transferees of wildfire recovery property revenues. Any order shall remain in full force and effect notwithstanding any bankruptcy, reorganization, or other insolvency proceedings with respect to the debtor, pledgor, or transferor of the wildfire recovery property. Any surplus in excess of amounts necessary to pay principal, premiums, if any, interest, costs, and arrearages on the wildfire recovery bonds, and associated financing costs arising under the security agreement, shall be remitted to the debtor or to the pledgor or transferor.

(f) Section 5451 of the Government Code shall not apply to any pledge of wildfire recovery property by a public financing entity. Sections 9204 and 9205 of the Commercial Code apply to a pledge of wildfire recovery property by the electrical corporation, an affiliate of the electrical corporation, or any financing entity.

(g) (1) This section sets forth the terms by which a consensual security interest shall be created and perfected in the wildfire recovery property. Unless otherwise ordered by the commission with respect to any series of wildfire recovery bonds on or before the issuance of the series, there shall exist a statutory lien as provided in this subdivision. Upon the effective date of the financing order, there shall exist a first priority lien on all wildfire recovery property then existing or thereafter arising pursuant to the terms of the financing order. This lien shall arise by operation of this section automatically without any action on the part of an electrical corporation, any affiliate thereof, the public financing entity, another financing entity, or any other person. This lien shall secure all obligations, then existing or subsequently arising, to the holders of the wildfire recovery bonds issued pursuant to the financing order, the trustee or representative for the holders, and any other entity specified in the financing order. The persons for whose benefit this lien is established shall, upon the occurrence of any defaults specified in the financing order, have all rights and remedies of a secured party upon default under Division 9 (commencing with Section 9101) of the Commercial Code, and are entitled to foreclose or otherwise enforce this statutory lien in the wildfire recovery property. This lien attaches to the wildfire recovery property regardless of

who owns, or is subsequently determined to own, the wildfire recovery property, including an electrical corporation, any affiliate thereof, the public financing entity, another financing entity, or any other person. This lien shall be valid, perfected, and enforceable against the owner of the wildfire recovery property and all third parties upon the effectiveness of the financing order without any further public notice; provided, however, that any person may, but is not required to, file a financing statement in accordance with subdivision (b). Financing statements so filed may be "protective filings" and are not evidence of the ownership of the wildfire recovery property.

(2) A perfected statutory lien in wildfire recovery property is a continuously perfected lien in all wildfire recovery property revenues and proceeds, whether or not the revenues or proceeds have accrued. Conflicting liens shall rank according to priority in time of perfection. Wildfire recovery property shall constitute property for all purposes, including for contracts securing wildfire recovery bonds, whether or not the wildfire recovery property revenues and proceeds have accrued.

932. (a) A transfer of wildfire recovery property (1) by an electrical corporation to an affiliate or to the wildfire victim compensation fund, (2) by an electrical corporation, an affiliate, or the wildfire victim compensation fund to a financing entity, or (3) by one financing entity to another financing entity, which the parties in the governing documentation have expressly stated to be a sale or other absolute transfer, in a transaction approved in a financing order, shall be treated as an absolute transfer of all of the transferor's right, title, and interest, as in a true sale, and not as a pledge or other financing, of the wildfire recovery property.

(b) The characterization of the sale, assignment, or transfer as an absolute transfer and true sale and the corresponding characterization of the property interest of the purchaser shall not be affected or impaired by, among other things, the occurrence of any of the following:

(1) Commingling of wildfire recovery charge revenues with other amounts.

(2) The retention by the seller of either of the following:

(A) A partial or residual interest, including an equity interest, in the financing entity or the wildfire recovery property, whether direct or indirect, subordinate or otherwise.

(B) The right to recover costs associated with taxes, franchise fees, or license fees imposed on the collection of wildfire recovery charges.

(3) Any recourse that the purchaser may have against the seller.

(4) Any indemnification rights, obligations, or repurchase rights made or provided by the seller.

(5) The obligation of the seller to collect wildfire recovery charges on behalf of an assignee.

(6) The treatment of the sale, assignment, or transfer for tax, financial reporting, or other purposes.

(7) Any true-up adjustment of the wildfire recovery charges as provided in the financing order.

(8) Any reduction in net income that is available to the shareholders of the electrical corporation in accordance with Section 930.

(9) Any transfer of unspent sale proceeds to a financing entity to provide for the repayment of wildfire recovery bonds.

(c) A transfer of wildfire recovery property shall be deemed perfected against third persons when both of the following occur:

(1) The commission issues the financing order authorizing the wildfire recovery charges included in the wildfire recovery property.

(2) An assignment of the wildfire recovery property in writing has been executed and delivered to the transferee.

(d) As between bona fide assignees of the same right for value without notice, the assignee first filing a financing statement in accordance with Chapter 5 (commencing with Section 9501) of Division 9 of the Commercial Code naming the assignor of the wildfire recovery property as debtor and identifying the wildfire recovery property has priority. Any description of the wildfire recovery property shall be sufficient if it refers to the financing order creating the wildfire recovery property. A copy of the financing statement shall be filed by the assignee with the commission, and the commission may require the assignor or the assignee to make other filings with respect to the transfer in accordance with procedures it may establish, but these filings shall not affect the perfection of the transfer.

933. (a) Any successor to the electrical corporation or the public financing entity, whether pursuant to any bankruptcy, reorganization, or other insolvency proceeding, or pursuant to any merger, sale, or transfer, by operation of law, or otherwise, shall perform and satisfy all obligations of the electrical corporation or the public financing entity, as applicable, pursuant to this article in the same manner and to the same extent as the electrical corporation or the public financing entity, as applicable, including, but not limited to, collecting and paying to the holders of wildfire recovery bonds, or their representatives, or the applicable financing entity revenues arising with respect to the wildfire recovery property sold to the applicable financing entity or pledged to secure wildfire recovery bonds. Any successor to the electrical corporation or the public financing entity, as applicable, is entitled to receive any fixed recovery tax amounts otherwise payable to the electrical corporation or the public financing entity.

(b) Any local publicly owned electric utility that annexes or otherwise acquires a portion of the electrical corporation's service territory shall assess the wildfire recovery charges authorized by the financing order, collect such wildfire recovery charges authorized by the financing order, and remit those amounts to the owner of the wildfire recovery property.

934. The authority of the commission to issue financing orders pursuant to Section 928 shall expire on December 31, 2050. The expiration of the authority shall not affect financing orders adopted by the commission pursuant to this article or any wildfire recovery property arising therefrom, or the charges authorized to be levied thereunder, or the rights, interests, and obligations of the electrical corporation or any financing entity or holders of wildfire recovery bonds pursuant to the financing order, or the authority of the commission to monitor, supervise, or take further action with respect to the order in accordance with the terms of this article and of the order.

935. Before the date that is two years and one day after the date when any public financing entity no longer has any payment obligation with respect to any wildfire recovery bonds outstanding, the public financing entity is prohibited from filing and shall have no authority to file a voluntary petition under the United States Bankruptcy Code (Title 11 of the United States Code), as it may, from time to time, be in effect,

and neither any public official nor any organization, entity, or other person shall authorize the public financing entity to be or to become a debtor under the United States Bankruptcy Code during that period. The provisions of this section shall be part of any contractual obligation owed to the holders of wildfire recovery bonds issued under this article. Any such contractual obligation shall not subsequently be modified by state law during the period of the contractual obligation, and the state and the Legislature hereby covenant with the holders that the state and any public instrumentality thereof and the Legislature shall not limit or alter the denial of authority under this section during the period referred to in this section.

936. (a) The commission shall enforce the provisions of the financing order against any financing entity, including any public financing entity to the extent permitted by law, and for those purposes may exercise all authority granted to the commission with respect to a public utility by Article XII of the California Constitution and by this part. Nothing in this section makes a financing entity a public utility.

(b) A financing entity that is not an electrical corporation, the wildfire victim compensation fund, and the Wildfire Fund shall not be considered an electrical corporation or person providing electrical service by virtue of engaging in the transactions described in this article. Neither the financing entity, the wildfire victim compensation fund, nor the Wildfire Fund is an agent of an electrical corporation by virtue of engaging in the transactions described in this article.

(c) A public financing entity and all persons connected therewith, shall and are hereby authorized to, at the request of the electrical corporation, give the electrical corporation reasonable assistance or other cooperation in carrying out the purposes of this article, including for activities associated with an application for a financing order.

937. (a) A public financing entity shall make annual reports to the Governor and the Legislature regarding its activities and expenditures pursuant to this article.

(b) An annual report submitted to the Legislature pursuant to subdivision (a) shall be submitted in compliance with Section 9795 of the Government Code.

938. This article shall not affect any civil action or proceeding.

SEC. 9. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

Amendment 5

On page 3, strike out lines 1 to 11, inclusive, and strike out pages 4 and 5